

**LOAN GUIDELINES FOR THE
REHABILITATION PROGRAM FOR SMALL RENTAL PROPERTIES**

Outcomes of this program:	<ul style="list-style-type: none"> • Well-managed and maintained rental properties with affordable rents • Affordable housing for lower income households in compliance with County codes • Enhanced neighborhood appearance • Sound, secure loans
Eligible Projects	Rental housing with affordable rents with no fewer than two and no more than 40 units in target areas
Eligible Activities	Rehabilitation activities that do not involve permanent tenant displacement
Ineligible Activities	Converting a property from non-residential to residential; upgrades considered to be expensive or unnecessary at the sole discretion of the County; rehabilitation that involves tenant displacement.
Underwriting Guidelines	Require (1) a positive cash flow over and above all operating expenses and debt service; (2) a minimum of 1 percent equity in the property, not including the County's loan (an appraisal may be required); (3) the owner to be creditworthy; DHCA will conduct a credit check or other assessment of the owner's creditworthiness; (4) that all housing code violations must be addressed; (5) that the owner currently manages the property well, or that the owner has the capacity to manage the property well after training and assistance; (6) the work will be performed by licensed contractors; and (7) that the property has been or will be tested for the presence of lead paint, that the owner is complying or will begin complying with State laws regarding lead paint.
Loan Term	Maximum Length of the Loan: 20 years
Interest Rate	The Interest Rate charged will be fixed at 2 percent - 6 percent
Fees	At this time, we will not charge loan or servicing fees (a charge for the title search is added to the loan amount).
Maximum/ Minimum Loan Amount	Typically, the County's loan will be up to 75 percent of the total costs of the rehabilitation work. There is no per unit or per property limit.
Payments	We do not make forgivable loans. However, payments may be deferred for up to 2 years. Our loans are assumable, but the new purchaser of a property must apply to the Department to be approved to assume the loan.
Affordability Restrictions	In order to maintain affordable rents, the County will require owners to restrict rent increases on a specified number of units to no more than the County Executive's voluntary guidelines for the term of the loan.
Maintenance Requirements	The property must be well maintained for the term of the loan, or at least five years, whichever is longer.

Notes:

- These guidelines may be waived at the discretion of Director of DHCA
- A bank turn-down is not required, but we retain the right to require an owner to apply to a bank as a condition for our financing.
- These are non-recourse loans